

Wards Affected:*'All Wards'***Internal Audit Service Annual Report 2016/17**

Author and contact: Duncan Wilkinson Chief Internal Auditor tel: 01908 252089

Executive Summary:

To provide the Audit Committee with an opportunity to comment on the content of the Internal Audit Service Annual Report 2016/17.

1. Recommendation(s)

- a. To review and provide any comments on the content of the Internal Audit Service Annual Report 2016/17.
- b. To note the overall assurance opinion provided by the Chief Internal Auditor for 2016/17.

2. Issues

- 2.1 Internal Audit is a statutory requirement for local authorities under the revised Accounts & Audit Regulations 2011, which states that a local authority shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practices. The Council has recognised this statutory requirement in its financial regulations.
- 2.2 The Accounts and Audit Regulations 2015 for English local authorities (including police and fire bodies) recognise the need to follow public sector internal audit standards and also remove the need for a separate review of the effectiveness of internal audit.
- 2.3 The regulations make changes to the publication of the accounts and annual governance statement. These, together with a narrative statement on the use of resources should be published by 31 July. The audit opinion should also be published by this date or 'as soon as reasonably practicable'. This date applies from 2017/18 – until then the date remains as 30 September.
- 2.4 The Public Sector Internal Audit Standards define the way in which internal audit should undertake its functions and requires that a written report is submitted to those charged with governance, which should include an opinion on the overall adequacy and effectiveness of the Council's control environment. The Annual Opinion supports the Annual Governance Statement (required under Regulation 4(2) of the Accounts and Audit Regulations 2011).

2.5 The report contains the annual audit opinion as:

On the basis of the audit work undertaken during the 2016/17 financial year, an opinion of **Substantial** assurance is awarded. The internal control environment (including the key financial systems, risk and governance) is well established and operating effectively in practice. In addition, there are no outstanding significant issues arising from the work undertaken by Internal Audit.

However, no systems of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

The level of assurance therefore remains at a similar level from 2015/16.

2.6 This report summarises the scheduled, unplanned and investigation work undertaken by internal audit during the financial year 2016/17. It focusses on the outcomes of audit reviews, management actions, counter fraud activities and service performance.

2.7 The Regulations also require that a formal review of the 'effectiveness of the system of internal audit' is conducted. The Annual Audit Opinion together with the review of conformance with the Public Sector Internal Audit Standards (PSIAS) provides this assurance.

2.8 The assurance opinion provided within the Annual Internal Audit report informs and forms part of the 2016/17 Annual Governance Statement which is to be presented to the Audit Committee.

3. Implications

3.1 The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakness of the control environment and to oversee the financial reporting process.

3.2 This report has therefore been provided within this context to ensure the committee is able to perform its core function and to consider summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

4. Risk and Resources

None

X	Capital	x	Revenue	X	Accommodation
X	IT	x	Medium Term Plan	X	Asset Management

5. Other Implications

None

X	Equalities/Diversity	x	Sustainability	x	Human Rights
X	E-Government	x	Stakeholders	x	Crime and Disorder

Background Papers:

Internal Audit reports issued throughout 2016/17.